

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

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L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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P R 060830Z JAN 76

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC PRIORITY 4251

INFO MTN GENEVA 161

AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMCONSUL HONG KONG

AMEMBASSY MANILA

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SUBJECT: TROPICAL PRODUCTS NEGOTIATIONS - SINGAPORE

REF: A. STATE 28711

B. MTN GENEVA 8997

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SUMMARY. THIS MESSAGE OUTLINES POST VIEWS ON SPECIFIC
CONTRIBUTIONS US MIGHT SEEK FROM SINGAPORE IN SUBJECT NEGOTIATIONS.
IT IS ALSO OFFERED AS ADDITIONALNGENERAL BACKGROUND FOR SUB-
SEQUENT US/SINGAPORE MTN NEGOTIATIONS. END SUMMARY.

1. IMPACT OF SINGAPORE TARIFF STRUCTURE ON US PRODUCTS.

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A TOTAL OF SOME 188 ITEMS ARE CURRENTLY SUBJECT TO SINGAPORE CUSTOMS DUTY. DUTIES ON APPROXIMATELY HALF THESE ITEMS ARE LEVIED PRIMARILY FOR REVENUE PURPOSES. THREE ITEMS--PETROLEUM, TOBACCO, AND LIQUOR--ACCOUNTED FOR SLIGHTLY OVER 2/3 OF TOTAL 1974 IMPORT DUTIES COLLECTED.

2. SOME 97 DUTIABLE ITEMS ARE CLASSIFIED AS "PROTECTIVE" PRODUCTS, I.E., PRODUCTS DUTIABLE BECAUSE MANUFACTURED IN WHOLE OR IN PART IN SINGAPORE. AMONG THESE ARE SUCH ITEMS AS TELEVISION SETS, REFRIGERATORS, IRON AND STEEL SCREWS, PVC RESINS, FLOURESCENT TUBES, AND FROZEN CHICKEN.

3. BELOW IS A LIST OF US PRODUCTS MOST AFFECTED BY SINGAPORE DUTIES. DUTY RATE IS AD VALOREM, WHERE NOT OTHERWISE SPECIFIED (US\$1 EQUALS S\$2.40&:

PRODUCT	DUTY RATE
UNMANUFACTURED TOBACCO	S\$29.10 PER KG
CIGARETTES, COSMETICS AND TOILETRIES	20 PERCENT
UNDERGARMENTS, OUTER GARMENTS, AND	
SHIRTS	15 PERCENT
AIR CONDITIONERS FOR MOTOR VEHICLES	25 PERCENT
AIR CONDITIONERS	40 PERCENT OR S250
	PER UNIT

REFRIGERATORS, DOMESTIC, ELECTRICAL \$245-\$490 PER UNIT
MOTOR VEHICLES FOR TRANSPORT OF GOODS
(NEW) - 20 PERCENT
COMPLETELY BUILT UP 30 PERCENT
BODIES FOR PASSENGER MOTOR VEHICLES 30 PERCENT
BODIES FOR BUSES AND GOODS MOTOR
VEHICLES 20 PERCENT

FURNITURE, EXCLUDING FOR MEDICAL USE 20 PERCENT
MATTRESS AND CUSHIONS OF FOAM RUBBER 35 PERCENT
MATTRESSES WITH INNER SPRINGS, OTHER
MATTRESSES, AND CUSHIONS 20 PERCENT

4. OF ABOVE ITEMS, ITEMS, TRADE STATISTICS INDICATE THAT
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US SALES OF TOBACCO, SHIRTS, LARGE ELECTRIC REFRIGERATORS AND TOILETRIES COULD SHOW SOME IMPROVEMENT IF SINGAPORE TARIFFS ON THESE ITEMS WERE REDUCED. OTHER ITEMS ON LIST ARE EITHER A) "QUALITY" ITEMS WITH LIMITED MARKET AND LITTLE PRICE ELASTICITY (E.G. PERFUMES), B) ITEMS WHICH FOR REASONS OF SPECIFICATIONS OR STANDARDS US COMPANIES DID NOT MANUFACTURE FOR THE SINGAPORE MARKET (E.G., TELEVISION SETS AND AUTOMOBILES), OR C) ITEMS WHERE TARIFF REDUCTIONS WOULD PRO-

BABLY BE OF GREATER BENEFIT TO THIRD COUNTRY COMPETITORS
THAN TO US MANUFACTURERS (E.G., FURNITURE).

5. UPLIFT. IT SHOULD BE STRESSED THAT IN SINGAPORE'S CASE TARIFF ELIMINATION ON TWO OR THREE ITEMS IS LIKELY TO BE MORE MEANINFFUL THAN ACROSS-THE-BOARD TARIFF REDUCTIONS. THIS IS BECAUSE SINGAPORE FREQUENTLY WILL RAISE ("UPLIFT") THE CUSTOMS VALUATION OF AN IMPORTED ITEM BEFORE APPLYING DUTY. UPLIFT IS NOT PECULIAR TO SINGAPORE. SINGAPORE IS A SIGNATORY OF THE BRUSSELS CONVENTION OF VALUES, WHICH IS BASED ON THE CONCEPT OF "VALUE OF DUTY". THIS IS QUITE DIFFERENT FROM INVOICED VALKD. THE APPLICATION OF UPLIFT BRINGS THE INVOICED VALUE UP TO A VALUE FOR DUTY. THIS IS DEFINED FOR CUSTOMS PURPOSES AS THE NORMAL PRICE GOODS WILL FETCH AT TIME OF IMPORT IN AN OPEN MARKET. UPLIFT IS NOT DEPENDENT ON THE NATURE OF COMMODITY BEING IMPORTED, BUT ON THE RELATIONS BETWEEN THE FOREIGN SUPPLIER AND THE SINGAPORE PURCHASER. THE THEORY IS THAT IF THE PURCHASER MAKES A SUBSTANTIAL COMMITMENT TO THE SUPPLIER (E. G., ADVERTISING, AFTER-SALES SERVICES, DISPLAY ROOM), THE SUPPLIER CAN CHARGE LESS. "UPLIFT" UP-VALUES THE INVOICE PRICE TO THE LEVEL CUSTOMS JUDGES THE GOODS WOULD FETCH IN SINGAPORE MARKET IN ABSENCE OF A DISTRIBUTOR COMMITMENT.

6. AN EXAMPLE WILL ILLUSTRATE: AN AMERICAN ROOM AIR CONDITIONER HAS A UNIT PRICE CIF SINGAPORE OF US\$800. BECAUSE OF DEALER COMMITMENT, A 30 PERCENT UPLIFT IS APPLIED, RESULTING IN VALUATION FOR DUTY OF US\$1040. APPLICATION OF 40 PERCENT CUSTOMS DUTY TO THIS LATTER FIGURE GIVES TOTAL DUTY PAYABLE BY IMPORTER OF US\$416. PRACTICAL RESULT OF UPLIFT IN THIS CASE IS AN EFFECTIVE TARIFF OF 52 PERCENT.

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7. IN SINGAPORE, UPLIFT CAN BE APPLIED TO EVERY PRODUCT SUBJECT TO AD VALOREM DUTY. FOR THIS REASON, TOTAL ELIMINATION OF A TARIFF OF 5 PERCENT ON ONE ITEM MAY BE MORE HELPFUL TO A SUS EXPORTER THAN A TARIFF REDUCTION FROM 15 PERCENT TO 5 PERCENT ON ANOTHER ITEM.
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ACTION EB-07

INFO OCT-01 EA-07 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

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/098 W

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P R 060830Z JAN 76

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC PRIORITY 4252

INFO MTN GENEVA 162

AMEMBASSY BANGKOK

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8. TROPICAL PRODUCTS. AS POINTED OUT IN REF C,
SINGAPORE ITSELF IS NOT A SIGNIFICANT PRIMARY PRODUCER OF
TROPICAL PRODUCTS. HOWEVER, SINGAPORE BENEFITS IN MANY WAYS
FROM TRADE IN AND PROCESSING OF SUCH ITEMS. MOREOVER, IT
WILL SUPPORT EFFORTS OF ITS ASEAN NEIGHBORS TO GAIN TROPICAL
PRODUCT CONCESSIONS EVEN IF DIRECT BENEFIT TO SINGAPORE IS
MINIMAL. OF PARTICULAR INTEREST TO SINGAPORE AMONG ITEMS ON
ITS REQUEST LIST (REF D) ARE:

WOOD PRODUCTS (PLYWOOD, SAWN HARDWOOD), CANNED PINEAPPLES,
BLACK AND WHITE PEPPER, AND TO A LESSER EXTENT, COCONUT
OIL AND NUTMEG.

9. IF ANY OF THESE ITEMS ARE ON LIST OF 100 PLUS PRODUCTS
THAT US WILL BE NEGOTIATING, THEN QUID PRO QUO OF ELIMINATION
OF TARIFFS ON US PRODUCTS LISTED PARA 4 ABOVE COULD BE SOUGHT.
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HOWEVER, GOS WOULD PROBABLY NOT BE VERY RECEPTIVE TO SUCH AN
APPROACH BECAUSE: A) ITS TRADE POLICY IS ALREADY EXTREMELY
LIBERAL, AND THE GOS WOULD CONTEND MORE LIBERAL THEN THAT WHICH

THE USG EXTENDS TO IT. ALSO, IT SHOULD NOT BE FORGOTTEN THAT THE MAJOR US MARKET HERE IS NOT FOR CONSUMER ITEMS, WHICH ARE GENERALLY DUTIABLE, BUT FOR CAPITAL GOODS, WHICH ENTER SINGAPORE DUTY-FREE. THE PERCENTAGE OF ALL US IMPORTS SUBJECT TO DUTY IS VERY SMALL. B) SINGAPORE HISTORICALLY RUNS A HUGE TRADE DEFICIT (EQUIVALENT IN 1974 TO ONE-HALF OF GNP), AND WILL NOT WANT TO RISK INCREASING THAT DEFICIT BY LIBERALIZING COSTLY CONSUMER ITEMS.

C) SINGAPORE'S PURITAN ETHIC AND CONCERN WITH ITS YOUNGER GENERATION GOING "SOFT" ADD UP TO LITTLE SYMPATHY FOR REDUCING TARIFFS ON CONSUMER GOODS. D) ALTHOUGH IMPORT DUTY COLLECTED IS A RELATIVELY SMALL PORTION OF TOTAL TAX REVENUE (LESS THAN 14 PERCENT IN 1974), GOS WILL BE MOST RELUCTANT TO GIVE UP ANY OF THIS. IN SINGAPORE 1977 IS AN ELECTION YEAR; EXISTING REVENUE FOREGONE COULD NOT EASILY BE MADE UP ELSEWHERE.

E) SINGAPORE MAY ARGUE THAT IT WILL HAVE TO MAKE FURTHER CONCESSIONS WITHIN ASEAN IF ANY PROGRESS IS TO BE MADE TOWARD REGIONAL TRADE LIBERALIZATION. F) FINALLY, US CONCESSIONS ON TROPICAL PRODUCTS IN THE LONG RUN JUST AREN'T WORTH THAT MUCH TO SINGAPORE. THE TREND INCREASINGLY IS TOWARD PROCESSING OF TROPICAL PRODUCTS BY AND IN THE PRODUCER COUNTRIES THEMSELVES. US CONCESSIONS ON DUTIES APPLIED TO MANUFACTURED GOODS ARE WHAT SINGAPORE IS REALLY INTERESTED IN.

10. CONCLUSION. EMBASSY'S GENERAL VIEW IS THAT THE UNITED STATES SHOULD NOT EXPECT SIGNIFICANT CONTRIBUTIONS FROM SINGAPORE IN SUBJECT NEGOTIATIONS. WHILE NOT TOTALLY SUBSCRIBING TO THE COMMENT OF SINGAPORE'S MTN DELEGATE THAT SINGAPORE' TARIFF AND NTB REGIMES ARE "SHINING EXAMPLES TO FOLLOW" (REF B, PARA 2), FACT IS THAT SINGAPORE TRADE STRUCTURE PRE-SENTLY PRESENTS FEW OBSTACLES TO IMPORTS OF AMERICAN PRODUCTS. THOSE THAT DO EXIST CAN PROBABLY BE MORE EFFECTIVELY ADDRESSED IN SUBSEQUENT NEGOTIATIONS.
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